

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF BECKLEY )  
WOODS SANITATION COMPANY, INC. AND )  
BECKLEY STATION DISPOSAL SYSTEMS, ) CASE NO. 8320  
INC. FOR APPROVAL OF TRANSFER OF A )  
SEWER TREATMENT PLANT )

ORDER GRANTING REHEARING

On December 21, 1981, the Commission issued an order approving the sale and transfer of the Beckley Woods Sanitation Company to Beckley Station Disposal Systems ("Beckley Station"). Finding No. 8 of this order stated as follows:

Beckley Station was able to purchase the sewage treatment plant and finance it through NTS because Beckley Station and NTS are sister companies. It is clear to the Commission that these transactions were entered into for the benefit of the owners of Beckley Station and NTS. The effect of these transactions, while legal and proper for general accounting purposes, is to require the consumers to pay the interest cost on the newly-incurred debt. There is no evidence that the transfer of ownership to Beckley Station will either improve or increase the level of service to the consumers. Therefore, Beckley Station and its stockholders are hereby apprised that the Commission will not allow for rate-making purposes, recovery of interest, return on equity or amortization of the excess of the purchase price over the net original cost.

On January 11, 1981, Beckley Station filed a petition for rehearing of the Commission's December 21, 1981 order. Therein, Beckley Station objected to the above-quoted

Finding No. 8 on the grounds that this issue had not been raised at the time of the Commission's hearing on this matter, and Beckley Station had, accordingly, been denied the right to present evidence that would warrant a contrary finding by the Commission.

The Commission has previously expressed its policy of not allowing for rate-making purposes a return on equity or amortization of the excess of a utility's purchase price of assets over the net original cost of such assets. Recovery of interest on the amount borrowed to make such purchases as a rate-making expense has likewise been denied. 1/ The theory underlying this policy of the Commission is that such transfers do not result in an improved level of service to the customers of the original utility. However, the Commission believes that a purchasing utility should have the right to show that the application of this policy is inappropriate under the specific facts of its case. Accordingly, having considered the petition for rehearing of Beckley Station and being advised, the Commission hereby finds that good cause exists for reconsidering Finding No. 8 in the Commission's order issued December 21, 1981, in this case.

Based upon the above finding, the Commission hereby ORDERS that Beckley Station Disposal System's petition for rehearing

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1/ See Case No. 7743, Johnson County Gas Company; Case No. 7931, Cedar Creek Sewer Company; and Case No. 8276, Fern Lake Company.

of Finding No. 8 in our order of December 21, 1981, is hereby granted. Such rehearing will be conducted at the Commission's offices in Frankfort, Kentucky on February 11, 1982 at 9:00 E.S.T.

It is FURTHER ORDERED that within ten (10) days from the date of this order, Beckley Station Disposal System shall file with this Commission its proof of any improvement or upgrading of the level of service to consumers resulting from the transfer of ownership to Beckley Station, and any other evidence in support of its contention that for rate-making purposes the recovery of interest, a return on equity or amortization of the excess of the purchase price over the net original cost should be allowed.

It is FURTHER ORDERED that all other provisions of the Commission's order of December 21, 1981, shall remain in full force and effect.

Done at Frankfort, Kentucky this 19th day of January, 1982.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

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Secretary